

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Readmond Township	County Emmet
Fiscal Year End June 30, 2006	Opinion Date March 17, 2007	Date Audit Report Submitted to State May 8, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

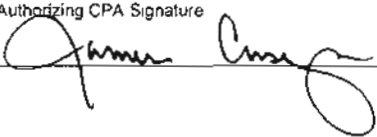
YES
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP		Telephone Number 231-347-4136	
Street Address 923 Spring Street		City Petoskey	State MI
Zip 49770			
Authorizing CPA Signature 	Printed Name James Cusenza	License Number 1101012888	

**Readmond Township
Management Letter Points
For the Year Ended June 30, 2006**

Budgeting:

The Township is required to comply with the P.A. 621 of 1978 (i.e. The Uniform Budgeting and Accounting Act).

The Appropriation act stated in the minutes should include; beginning estimated fund balance, revenues by source, expenditures and estimated ending fund balance. Additionally, the document should include columns for:

Actual amounts of revenue and expenditures for the most recently completed year.

Current year estimated revenues and expenditures.

Estimated amounts revenues and expenditures for the year being budgeted.

Each column should have beginning fund balance at the top and ending fund balance at the bottom (sum of beginning fund balance plus estimated revenue minus estimated expenditures).

Revenues and expenditures should be budgeted at estimated amounts. Any excess or deficiency would go against the beginning fund balance.

The budget should be monitored during the year and amended in the body of the minutes as was the original budget.

Investment Policy:

P.A. 20. of 1943, as amended in 1997, requires that a Local Unit of Government adopt an investment policy that includes the purpose, scope, objectives, safety, diversification, liquidity and return on investment for its financial resources. The Township should review its investment policies, as it is required that financial institutions doing business with the Township have a copy of the Township's investment policy and confirm that they will abide by the policy.

Record keeping suggestion:

Support for cash receipts and disbursements should be kept when available (i.e. copies of insurance or swamp land tax check stubs, etc.) Additionally, Vendor invoices should be defaced when paid, include an authorizing signature and the account number it will be posted to. During our audit, support for check number 5903 to Northern Office for \$2,825.00 was not available for review.

Capitalization Policy and Capital Outlay:

It was noted that the Township does not have a formal capitalization policy. We recommend that the Township formally approve a capitalization amount, such as \$500 as was used to prepare the financial statements. All assets costing more than that amount would be in a capital outlay account, any assets less than the capitalization amount would go to supplies or another appropriate account. Additionally, it is recommended that the township review capitalization guidelines (i.e. assets that should be capitalized vs. those that would be repairs).

Payroll:

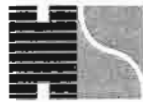
It was noted during our audit that payroll taxes withheld from employee wages were posted to the payroll tax account. The gross wage should be recorded in the appropriated wage account and only the townships portion of Social Security and Medicare recorded as payroll tax.

FINANCIAL REPORT
Readmond Township
June 30, 2006

Readmond Township
FINANCIAL REPORT
June 30, 2006

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	8
Fiduciary Funds:	
Statement of Fiduciary Net Assets	9
Notes to Financial Statements	10-16



Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

March 17, 2007

Independent Auditors' Report

Township Board
Readmond Township, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of Readmond Township, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Readmond Township, as of June 30, 2006, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

READMOND TOWNSHIP
Statement of Net Assets
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 254,254
Due from other governments	1,221
Due from fiduciary fund	5,028
Prepaid items	<u>2,084</u>
Total current assets	<u>262,587</u>
Noncurrent Assets	
Capital assets	950,090
Less: accumulated depreciation	<u>(12,765)</u>
Total noncurrent assets	<u>937,325</u>
Total assets	<u><u>\$ 1,199,912</u></u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	<u>\$ 9,450</u>
Net Assets	
Investment in capital assets, net of related debt	937,325
Unrestricted	<u>253,137</u>
Total net assets	<u>1,190,462</u>
Total liabilities and net assets	<u><u>\$ 1,199,912</u></u>

READMOND TOWNSHIP
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 69,297	\$ 4,358	\$ -	\$ (64,939)
Public works	12,263	-	-	(12,263)
Community & economic development	3,454	-	-	(3,454)
Recreation and cultural	2,015	-	-	(2,015)
Other	8,041	-	-	(8,041)
Depreciation (unallocated)	1,417	-	-	(1,417)
Total governmental activities	<u>\$ 96,487</u>	<u>\$ 4,358</u>	<u>\$ -</u>	<u>\$ (92,129)</u>
General Revenues:				
Property taxes				225,117
State shared revenues				38,723
Interest				5,458
Other				<u>9,256</u>
Total general revenues				<u>278,554</u>
Change in net assets				186,425
Net assets - beginning of year				<u>1,004,037</u>
Net assets - end of year				<u>\$ 1,190,462</u>

READMOND TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2006

	<u>General</u>
<u>Assets</u>	
Cash	\$ 254,254
Due from other governments	1,221
Due from other funds	5,028
Prepaid Items	<u>2,084</u>
Total assets	<u><u>\$ 262,587</u></u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts payable	<u>\$ 9,450</u>
Total liabilities	<u>9,450</u>
Fund balances:	
Unreserved:	
Designated for roads	112,000
Undesignated	<u>141,137</u>
Total fund balances	<u>253,137</u>
Total liabilities and fund balances	<u><u>\$ 262,587</u></u>

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2006

Total Fund Balances - Governmental Funds	\$ 253,137
--	------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet

Cost of capital assets	950,090
Accumulated depreciation	<u>(12,765)</u>

Total net assets - governmental activities	<u><u>\$ 1,190,462</u></u>
--	----------------------------

READMOND TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2006

	<u>General</u>
Revenues:	
Taxes	\$ 225,117
State revenue	38,723
Charges for service	4,358
Interest	5,458
Other	<u>9,256</u>
Total revenues	<u>282,912</u>
Expenditures:	
Current:	
General government	64,487
Public works	12,263
Community & economic development	3,454
Recreation & culture	2,015
Other	8,041
Capital outlay	<u>260,545</u>
Total expenditures	<u>350,805</u>
Net change in fund balance	(67,893)
Fund balances - beginning of year	<u>321,030</u>
Fund balances - end of year	<u><u>\$ 253,137</u></u>

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (67,893)
--	-------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital outlays exceed depreciation
expense in the period.

254,318

Change in net assets - governmental activities
--

\$ 186,425

READMOND TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	\$ 183,800	\$ 193,800	\$ 225,117	\$ 31,317
State revenue	30,000	30,000	38,723	8,723
Charges for services	4,400	4,400	4,358	(42)
Interest	2,000	3,500	5,458	1,958
Other	1,100	4,500	9,256	4,756
Total revenues	221,300	236,200	282,912	46,712
Expenditures:				
Current:				
General government:				
Trustees	4,032	4,032	4,032	-
Supervisor	8,758	8,758	7,308	(1,450)
Clerk	13,158	13,158	9,915	(3,243)
Audit	2,900	3,550	3,550	-
Board of review	700	700	-	(700)
Treasurer	11,558	11,558	10,152	(1,406)
Assessor	12,250	12,250	11,491	(759)
Elections	2,000	2,000	729	(1,271)
Building and grounds	16,900	16,900	11,955	(4,945)
Attorney	2,000	2,000	-	(2,000)
Cemetery	8,000	8,000	5,130	(2,870)
Unallocated	5,000	5,000	225	(4,775)
Total general government	87,256	87,906	64,487	(23,419)
Public works:				
Spring clean-up	5,000	5,000	2,813	(2,187)
Road dust control	15,000	15,000	9,450	(5,550)
Total public works	20,000	20,000	12,263	(7,737)
Community & economic development:				
Planning	11,700	11,700	3,454	(8,246)
Recreation & culture:				
Parks & recreation	3,500	3,500	1,505	(1,995)
Library	500	500	510	10
Total recreation & culture	4,000	4,000	2,015	(1,985)
Other:				
Insurance & bonds	7,000	7,000	5,864	(1,136)
Payroll taxes	2,500	2,500	2,177	(323)
Total other	9,500	9,500	8,041	(1,459)
Capital outlay	346,000	346,000	260,545	(85,455)
Total expenditures	478,456	479,106	350,805	(128,301)
Net change in fund balance	(257,156)	(242,906)	(67,893)	175,013
Fund balance - beginning of year	321,556	321,556	321,030	(526)
Fund balance - end of year	\$ 64,400	\$ 78,650	\$ 253,137	\$ 174,487

READMOND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2006

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 1,221</u>
Liabilities	
Due to other funds	<u>\$ 1,221</u>

READMOND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Readmond Township operates under a Board-Supervisor form of government and provides services to its residents for general government, public works, community & economic development and recreation & culture.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Readmond Township:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASB No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

Joint Operations:

Middle Village Park – The Middle Village Park was created by a joint agreement between Friendship Township and Readmond Township to acquire certain real property located in Readmond Township for the purpose of creating lakeshore recreational facilities. Each township provided a total of \$119,370 for land acquisition that was matched with \$716,219 of State of Michigan funding. The State of Michigan has retained a 75% interest in all minerals in and under such land. The property was deeded to Readmond Township with an off-deed agreement transferring a 50% ownership interest in the real estate to Friendship Township. A five-member committee manages the park. The committee consists of a representative each of Readmond Township, Friendship Township, the Little Traverse Bay Band of Odawa Indians, and two representatives of the Greater Good Hart Association. The Middle Village Park Committee is required to adopt an annual operating budget approved by Readmond Township, Friendship Township, and the Tribal Council of Little Traverse Bay Band of Odawa Indians. Under the operating agreement, funding is to be provided by the Townships and the Indian band. Friendship Township performs administrative functions for the Park and is custodian of its assets, thus the Middle Village Park is included in the audited financial statements of Friendship Township and not as part of Readmond Township's financial statements. A summary of Friendship Township's audited financial information of Middle Village Park is presented below. Complete financial statements of the Middle Village Park can be obtained from the Friendship Township's office.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Operations - Continued

Audited financial information of the Township as of and for the year ended March 31, 2006 is as follows:

Total assets	<u>\$ 38,442</u>
Total fund equity	<u>\$ 38,552</u>
Total revenue	\$ 11,506
Total expenditures	<u>20,463</u>
Net increase (decrease) in fund equity	<u>\$ (8,957)</u>

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as governmental.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which includes charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statement is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental type category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental fund of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Agency funds use the accrual basis of accounting which reports only assets and liabilities. The following is a description of the fiduciary fund maintained by the Township.

Agency Fund – The Agency Fund accounts for the collection and payments of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIS OF ACCOUNTING – CONTINUED

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

The agency fund is accounted for using the full accrual basis of accounting. The Township's agency fund records liabilities when property taxes are received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS

Inter-fund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are recorded by the Township when the initial individual costs are equal to or greater than \$500. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings & improvements	35 years
Equipment	5-10 years

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS – CONTINUED

Fund Equity

In the fund financial statements, governmental funds report reserved fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. There are no restricted fund balances for the Township at year-end.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the operating fund of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- 3. The budget is legally enacted through passage of an ordinance.
4. The budget for the General Fund is adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township is required under Public Act 621 to adopt a budget for the General Fund. The Township did not incur an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH DEPOSITS – CONTINUED

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2006, the carrying amount of the Township's deposits including the fiduciary fund, was \$255,475 and the bank balance was \$260,185. Of the above balance in cash, \$108,791 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances throughout the year.

NOTE 4: PROPERTY TAX

Property taxes are levied and become a lien on property as of December 1 of the State taxable valuation of property in the Township as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied.

The 2005 total taxable valuation of the Township as of April 19, 2005 was \$64,499,575, on which taxes levied consisted of 2.9173 mills for operating purposes, which are recognized in the General Fund.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The inter-fund balances within the Township are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 1,221	\$ -
Fiduciary Fund	-	1,221
	<u>\$ 1,221</u>	<u>\$ 1,221</u>

The inter-fund balances are loaned to the fiduciary fund to keep its checking account open and interest earned. The entire balance is not expected to be paid back within one year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 543,501	\$ -	\$ -	\$ 543,501
Construction in progress	<u>131,425</u>	<u>-</u>	<u>131,425</u>	<u>-</u>
Subtotal	<u>674,926</u>	<u>-</u>	<u>131,425</u>	<u>543,501</u>
Capital assets being depreciated:				
Buildings & improvements	15,232	387,160	-	402,392
Equipment	<u>4,197</u>	<u>-</u>	<u>-</u>	<u>4,197</u>
Subtotal	<u>19,429</u>	<u>387,160</u>	<u>-</u>	<u>406,589</u>
Less accumulated depreciation:				
Buildings & improvements	7,216	1,357	-	8,573
Equipment	<u>4,132</u>	<u>60</u>	<u>-</u>	<u>4,192</u>
Subtotal	<u>11,348</u>	<u>1,417</u>	<u>-</u>	<u>12,765</u>
Net capital assets being depreciated:	<u>8,081</u>	<u>385,743</u>	<u>-</u>	<u>393,824</u>
Governmental activities net capital assets	<u>\$ 683,007</u>	<u>\$ 385,743</u>	<u>\$ 131,425</u>	<u>\$ 937,325</u>

Depreciation expense was unallocated between functions in the statement of net assets.

NOTE 7: RISK MANAGEMENT

The Township carries commercial insurance for risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.